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ABSTRACT

This study was designed to describe the different models of Employer-Sponsored Child Care (ESCC) available to employers and child care professionals. Examples of specific child care programs sponsored by employers are described, and five ESCC models are identified: on-site and off-site centers for a single employer, off-site centers for multiple employers, family day home systems, and information and referral systems. Few employers have considered tax incentives a primary reason to engage in ESCC; one reason appears to be that tax laws are not sufficiently clear. General information on insurance and taxes pertinent to ESCC is provided. Advantages of ESCC for employers include better recruiting, reduced absenteeism, and improved labor relations. Advantages for employees include help in paying for quality child care, reduced transportation time and cost, and greater involvement in center administration and policy. Benefits for children include gaining better understanding of their parents' workplace, quality child care, and the ability to see parents during the work day. New sources of child care funding, new and innovative programs, and better staff salaries can result for child care professionals. General problems are discussed and recommendations are presented. (Author/DB)

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# EMPLOYER-SPONSORED CHILD CARE MODELS AND RELATED ISSUES

BY

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REPORT

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## Introduction

Employer-sponsored child care can be defined as any child care arrangements provided by employers for the benefit of their employees. The child care can cover a variety of possibilities from on-site centers to existing community programs, and can be fully or partially funded by the employer.

Child care sponsored by an employer is not new in this country. In 1910, the Association of Day Nurseries listed 450 centers located in working class neighborhoods (Friedman, 1980a). Some of these off-site centers were sponsored by factories that employed women from the neighborhoods. The centers were unsanitary and of poor quality, much the same as the factory conditions of that period. An example of an early on-site center was the King Edward Nursery, founded in 1939 in Jacksonville, Florida by John H. Swisher and Son, Inc. The center could be used as day care or as a boarding home for 75 children.

In the early 1940's, Congress passed the Lanham Act which enabled defense plants to develop child care programs in an effort to increase wartime production (Canon, 1978). The two centers at the Kaiser Shipyards in Portland, Oregon are the best known examples of this legislation. The centers were opened in 1943, one at the entrance of each shipyard. They each had a capacity of 375, were for children 18 months to 6 years of age, and were open 24 hours a day. The buildings were designed for children, the teachers were highly qualified professionals, the program approach was interdisciplinary, and the emphasis was on quality care and family service. Other features of the programs included an infirmary for ill children, an immunization program, a child development and nutrition information program for parents, parent meetings at shift changes, and take-home meals available at cost to employees. The centers closed in 1945, when World War II ended. Most of the women returned to their homes and the focus shifted away from wartime production and the needs of working women. A final report on the Kaiser Shipyard centers stated that the programs were found to be successful and beneficial for industry, workers, and children.

At the present time, day care as an aide to working mothers is not given high priority nationally even though a need exists. The number of working mothers has greatly exceeded the number that were employed during the Lanham Act of the 1940s (Canon, 1978). Women are choosing to work for a variety of reasons, with one of the most urgent reasons being economic need. In a 1977 Texas survey, 84 percent of the working women with children under six were working because of economic necessity and 28 percent of these women were the sole support of their families (Purnell, Note 1). On a national level, the Bureau of the Census, in 1979, projected there would be 1.5 million working mothers of preschool children by 1980 and by 1990, this number would increase by 50 percent (Burud, Note 2).

Child care facilities have not kept up with this increase in working mothers. In Texas, it is estimated that 30,000 preschool children are left alone to care for themselves each year (Langham, Note 3). In California, there are approximately one million children who need child care and less than one third of these can be served in licensed facilities (Burud, Note 2). The numbers from these two states seem to indicate the conditions throughout

the country. In a 1979 survey of 80,000 women by the National Commission on Working Women, it was found that 33 percent of those with dependent children had problems related to child care (Perry, 1980).

Employers in many areas of industry and business are experiencing high employee turnover rates despite the fact there is high unemployment. The loss of trained employees and the cost to train their replacements can be a serious economic problem for employers. A survey of 46 Texas industries by the Texas Industrial Commission found that women have from one to seven percent higher job turnover rate than men (Purnell, Note 1). The higher rate was not considered indicative of women's poor job performance skills, but instead appeared to relate to the demands of the dual careers of working women. One section of the survey asked the employers to list the two major reasons for women employees leaving employment. Seventy-six percent of the employees listed child care responsibilities as the first reason, and 95 percent listed it as either the first or second reason.

With consideration for current conditions, employers are becoming increasingly interested in child

care as a means of meeting employee needs, increasing employee retention, and improving production or services. Information on the different child care models or arrangements can assist employers in developing child care that fits an employer's specific situation.

## Definition of Terms

Throughout this report some terms have been used frequently. In an effort to add clarity of meaning, the following terms are defined:

*Employer* encompasses any business, industry, hospital, company, or governmental agency that is a sponsor, a potential sponsor, or a past sponsor of E-SCC.

*Employee* applies to all persons who work for an above-defined "employer." It includes, but is not limited to parents of children eligible for E-SCC.

*Child care* refers to care provided for children, away from their own home, while their parent or parents work. It includes care for all ages of children, in centers or day homes, and may be for longer hours than the traditional day time span. It does not apply to institutional boarding care.

*Quality child care* "means that children are in a life-safe, developmentally healthy environment, with caring, competent caregivers" (Douglas, 1976, p. 20).

*Employer-Sponsored Child Care* (E-SCC) is defined in the introduction as any child care arrangements provided by the employers for the benefit of their employees.

## Purpose of the Study

The purpose of this study is to describe the different models of Employer-Sponsored Child Care (E-SCC) available to employers or child care professionals who are interested in such programs. The study does not produce a directory of E-SCC in this country, but examples of specific child care programs being sponsored by employers are described in order to enhance the reader's understanding of the variations within models.

In addition, the study includes a discussion of the following information on E-SCC:

1. General information on insurance and taxes as they relate to E-SCC.

2. Advantages for employers, employees, children, and child care professionals.

4. Concerns and possible problem areas for the groups involved.

4. Recommendations and considerations for developing E-SCC.

The report ends with a summary of the information and a conclusion.

## Review and Discussion of Related Literature and Research

A major portion of the information for this report on E-SCC was obtained from bibliographies that are part of published reports from two projects: (1) The On-Site Day Care: Research into the State-of-the-Art and Models Development Project prepared by Welfare Research, Incorporated (WRI); and (2) Creative Partnerships for Child Care Project by the Child Care Information Service. Findings from these two projects and from other literature will be discussed in the individual sections of the report.

The research and literature related to E-SCC is presented under the following headings: descriptions of models, insurance and taxes specific to E-SCC, advantages, concerns and problems, and recommendations and considerations related to E-SCC.

### Description of Models

Models were described in several reference sources and each categorization of models differed somewhat

from the others. The categories for models in this report are based on location and number of employers involved. E-SCC may be located at the worksite (on-site) and away from the worksite (off-site), and may be sponsored by a single employer or by more than one employer. Within the model categories there are a variety of funding options. These options can include funding for start-up or operating costs or both, subsidization of tuition costs, or in-kind subsidization such as maintenance or provision of space (WRI, Note 4). The E-SCC can operate as a division of the parent company, as a subsidiary corporation, as an independent nonprofit corporation, or as a center leased by an independent child care operator. The E-SCC may serve only employee children or may serve both employee and nonemployee children.

The models discussed are as follows: On-site center for a single employer, off-site center for a single employer, off-site center for multiple employers. Two additional models, family day home systems and information and referral systems will also be discussed. Each of the models will be described individually.

The on-site center for a single employer. This model of E-SCC is the one most often thought to be associated with E-SCC (Note 5). The center is located in very close proximity or on the premises of the workplace. The model may use any of the several funding arrangements listed previously. Descriptions of a few specific examples of the on-site center for a single employer model follow:

The Stride Rite Corporation's Children's Center in Roxbury, Massachusetts is one example of on-site center care. Douglas (1976) reported that the Center, established in 1971, is incorporated as a nonprofit agency subsidized by the Stride Rite Charitable Foundation, also a nonprofit organization. Additional funds come from Title XX for eligible children, through a contract with the Massachusetts Department of Public Welfare, and through USDA lunch program reimbursement. The program serves 30 children. This number includes 15 children of Stride Rite employees and 15 children from the community.

The employees using the center pay fees of 10 percent of their gross income ($10 minimum and $25 maximum per week per child). The Stride Rite Charitable Foundation pays the balance of the $47.50 cost. Nonemployees

pay the full fee unless they are eligible for Title XX funds. The Children's Center is located in the Stride Rite plant in converted office space. There is a ratio of one staff person to five children and the age range is 2½ to 6 years. The center also offers child and family guidance and counseling to all Stride Rite employees.

Photo Corporation of America, International (PCA) of Matthews, North Carolina provides an on-site center that is funded in a different way than the Stride Rite center. PCA employees pay a flat weekly fee of $23 per child, and the company subsidizes the remainder of the $40 weekly cost. The center serves only PCA employees (WRI, Note 4). The center encourages parent involvement which includes parents spending time with their children during the work day and arrangements for nursing mothers. This center has been in operation since 1972. Zale Corporation and Forney Engineering of Dallas also have E-SCC funded by employer subsidy and parent fees. They differ from PCA in that they serve some nonemployee children.

The Abt Associates, Incorporated, a research firm in Cambridge, Massachusetts is an example of another funding and operating arrangement (WRI, Note 4). The firm

provides in-kind assistance in the form of rent-free space within the building to the center, Children's Village. Parents pay a full fee for their children. The nonprofit center is governed by a board of directors made up of parents and staff, with the center relying heavily on parent participation.

The Living and Learning Centers represent an example of another option for operating a center. Living and Learning, a separate child care corporation, leases space from Allendale Insurance Company of Johnson, Rhode Island and Union Mutual Insurance of Portland, Maine for on-site centers (Perry, 1980). Living and Learning Centers give a 10 percent discount to the two companies' employees. In return for the discounts, the companies guarantee a certain enrollment to the centers.

Hospitals are currently the major sponsors of on-site center care. In 1978, there were 75 on-site hospital centers (Perry, 1980). Hospital sponsored child care programs are generally funded by hospital subsidy and parent fees. In the 1978 survey by Perry (Cited in WRI, Note 4), on-site centers in hospitals were found to have several common characteristics. As compared to the other E-SCC

centers, the hospital centers were more often open every day of the week for longer hours, care was provided for a wider age range, parents were less likely to be involved in policy making, and the staff had less post-secondary education. Memorial Medical Center Day Care Center in Corpus Christi, Texas is an example of a typical hospital center (WRI, Note 4). The center is open for two nursing shifts (7:00 AM to 3:00 PM and 3:00 PM to 11:00 PM). The program is subsidized by the hospital and administered by a board of directors made up of community members and hospital administrative staff.

There are some 200 on-site child care centers located on military installations for all branches of the armed forces. The centers differ from other on-site child care because they are operated so that parents can engage in leisure as well as work activities (WRI, Note 4). Military centers also differ in that they are not covered by any state or federal licensing requirements. They have a large drop-in attendance since they accept children whose parents only need baby sitting for a few hours. College and university centers also have varied purposes which may include research and a training laboratory for

students (WRI, Note 4). Because of their differences with other E-SCC, military and college and university sponsored centers will not be included in the rest of the report.

The off-site center model for a single employer. As indicated by the name, this type center is located away from the actual workplace. This model also includes a variety of funding arrangements.

Intermedics, a manufacturer of pacemakers, in Freeport, Texas has such an arrangement for its employees. The Albert P. Beutal II Day Care Center started operation in 1979 and can enroll 250 children (Perry, 1980). The center is located on a route convenient to commuting parents. This center is owned by Intermedics as a profit-making subsidiary (Friedman, 1980a). It is estimated that the care actually costs $220 per month and parents pay $20 to $40 of the cost. The balance of the cost provides Intermedics with a business loss that is tax deductible.

Another arrangement for off-site center care has been labeled the voucher/vendor system. The employer provides a child care subsidy directly to the employee who in turn can select any child care desired, or the employer purchases slots or spaces in existing programs (Marsh, Note 7).

Polaroid Corporation provides a voucher system to employees (Douglas, 1976). The employee submits an application for child care including information on income and number of dependents. The information is used to set a fee established by a sliding scale based on salary, and the employee pays this assessed amount to any center selected. Polaroid Corporation pays the balance of the center's published rate which varies from center to center. The only limitation set on selection of the center is that it must be licensed by the state. In 1975, more than 100 different centers were used by Polaroid employees.

The Flick-Reedy Corporation of Chicago provides another variation of off-site care in the form of summer day care/camp for employees' children (Jobs and family, 1980).

The off-site center model for multiple employers. In this model, the center is situated in a location convenient to the contributing employers and the employers share the tasks and the costs of child care (WRI, Note 4).

One example of this model is a child care program supported jointly by the Amalgamated Clothing and Textile

Workers Union (ACTW) and area clothing manufacturers. At present, ACTW is the only union involved in such a venture (Friedman, 1980a). There are six centers locared in Verona and Baltimore, Maryland; Chambersburg, Hanover, and McConnellsburg, Pennsylvania; and Winchester, Virginia. Approximately 45 clothing manufacturers in this area contribute a percentage of their gross payrolls to a Joint Health and Welfare Fund. The ACTW union members pay 2 percent of their total gross payroll hours to the Amalgamated Social Benefits Association which in turn contributes to the same Joint Health and Welfare Fund. This Joint Fund is administered by trustees from both labor and management. The Joint Fund contributes over a million dollars a year from its assets for the operational costs of all of the centers. A seventh center was opened in the Chicago area at a later date.

The Hyman Blumberg Center in Baltimore is one of the union-management centers (Douglas, 1976). It serves area manufacturers and has space for 300 children. The average enrollment is 234. The center operates from 6:00 AM to 6:00 PM on weekdays and occasionally on Saturdays

to serve employees who are working overtime. All ACTW members can use the services for a fee of only $5 per week.

Another example of an off-site center for multiple employers is the Northside Child Development Center of Minneapolis. The center was originally conceived by Control Data Corporation who was interested in employing persons considered disadvantaged and unemployable (Friedman, 1980a). Many women in this category experienced problems with child care. In 40 percent of the cases of female terminations, child care had been a problem. Control Data formed a consortium in 1971 to provide child care. The consortium included the following employers: Pillsbury, Northern States Power, Northwestern Bell, Day-Hudson Department Store, Lutheran Brotherhood Insurance Company, Minnesota Federal Reserve Bank and Farmers and Mechanics Savings and Loan (Friedman, 1980a). The last two employers later dropped out of the group. Control Data remains the primary firm (Douglas, 1976). The consortium provides 25 percent of the operating budget and Title XX federal funds provide the other 75 percent. The employers also provide expertise in a variety of areas (Canon, 1978). The center is centrally located in the inner city and both

community and employee children are served there. Northside provides a quality program for infants, preschoolers, and school age children according to Canon (1978).

Another more recently organized center is the Downtown Day Care Center which opened in St. Louis in 1979 (Corrigan, 1979). This center is located in the Christ Church Cathedral in the heart of the downtown area where some 95,000 people are employed. Currently, there are 15 employers involved in the consortium. Specific names of the employers were not listed in the source. The center is nonprofit, uses no Title XX funds, and is planned, directed and operated cooperatively by employers, child care professionals, and parents. The Center's board is made up of representatives from the contributing employers, specialists in the child care field, and members of the cathedral congregation.

An off-site center is proposed for the Santa Clara Valley area in California where there is a heavy concentration of electronics and computer industries (Employer related child care, 1980). This proposed program would use the voucher/vendor arrangement referred to in the off-site center model for a single employer. The

Sunnyvale CETA administration has proposed a plan to have the city council allow a vacant, city-owned school to be converted into a child care center for 250 children. Actual management of the center would be let by bid, and industries could purchase a specific number of slots for their employees' children. Parents would pay a reduced fee for care.

Family day home system for one or more employers. In this model, the children are cared for in small groups in day homes. Day homes or family day homes differ from day care centers in size, number of children and number of staff. The program is usually more informal and homelike. Care is provided in the caregiver's home and there are usually six or fewer children with one adult.

Asian, Incorporated of San Francisco is an example of a day home system. This program is funded by and serves employees from the local sheriff and police departments and 11 area hospitals (Marsh, Note 7). The agency, Asian, Incorporated, accepts applications from prospective day home operators and screens the homes and operators before accepting them into the system. Through a loan from the Ford Foundation, the agency has recently purchased

an apartment building in a central location and rents to qualified operators who are interested but whose current houses are unacceptable for some reason such as condition or location. The agency also has a revolving loan fund to help operators bring homes up to standards, and a lending arrangement for toys, equipment, and small appliances. Training is provided at a community college to all the operators before they actually start to care for children. Day home operators are paid approximately $12,000 per year. Hospital and law enforcement department employees are provided a list of the day homes and are able to choose the one that best suits their needs. Information on fees was not included in the report.

Information and Referral (I&R). In this model, the employer does not invest any money directly into child care. Instead, the employer provides a centralized information system to help parents to find child care that is appropriate to their needs (Burud, Note 5).

In 1970, Illinois Bell Telephone Company established an I&R office with a staff of four (Friedman, 1980b). In addition to assisting parents find adequate care, Illinois Bell recruited and screened area residents to

establish additional family day homes. They assisted the day home operators in getting licensed and in obtaining training through the Erikson Institute. The company paid the I&R staff's salaries and the operators' training expenses. The parents paid the full cost of the care provided.

There are several other I&R projects which have been started recently. The Child Care Switchboard in San Francisco and the Child Care Resource Center in Cambridge, Massachusetts are examples of recent ones which seek to serve several employers (Friedman, 1980b).

As can be seen from the examples of actual centers, there can be considerable variation within models, and models can be combined to better meet the needs of employers and employees. Employers can also provide support in a variety of ways without being directly involved in child care. Douglas (1976) cites several examples of this kind of support. Citibank of New York has gone beyond conventional banking practice to loan money to community groups to renovate sites for day care. Bankers Trust Company of New York has provided special loans to nonprofit groups to make day care renovations or to purchase

equipment. Bankers Trust also engages in programs designed to increase employee awareness of child care. The Metropolitan Life Insurance Company has issued two recent booklets, "Industry's Share in Day Care" and "Day Care, What and Why," that provide information about quality care and industry's role in child care.

Overview of existing E-SCC. The section on models has detailed several different examples of E-SCC. There are many other programs in existence. Perry (1980) lists a total of 105 civilian employer centers. This number includes 14 government agency, 75 hospital, 9 industry, and 7 union-management centers. Most of these centers are in the eastern and southern part of the United States. Since the Perry survey in 1978, six more industry centers have opened. The On-Site Day Care Research Project (WRI, Note 4) found 18 different companies in California, Indiana, Vermont, Texas, North Carolina, Colorado, Kentucky, New York, New Jersey, and Arizona that have conducted or are in the process of conducting employee needs assessments related to proposed E-SCC.

The Perry survey (1980) found E-SCC to be associated with employers that hire a high percentage of women.

It also noted that the centers served a high percentage of skilled and professional workers, contrary to the usual view that child care is a service used and needed only by the unskilled. All of the centers served 3 to 6 year olds, 64 percent enrolled infants and 34 percent enrolled school-aged children. Most of the centers were open only five days a week with the exception usually being the hospital centers. All of the centers, except one hospital and one union center, charged the parents some fees. Only 33 percent of the centers reported outside funding, such as Title XX and USDA, in addition to parent fees and employer subsidies.

Finally, parents were involved in policy making in 57 percent of the 61 centers that responded. Parents visited centers approximately 11 times per week in 68 percent of the 57 centers that responded to that question.

Insurance and Taxes

Both insurance and taxes are necessary considerations for any child care program, including E-SCC. This report provides some general information as an assistance to planning and developing E-SCC programs.

Insurance for E-SCC. There are three kinds of E-SCC: workers' compensation, property insurance and liability insurance (Burud, Note 2). Rates for property and liability insurance are based on the square footage of the building. Grounds are automatically covered when the building is covered. Variation in rates is related, for the most part, to the loss experience in a particular city and the age and condition of the building.

The employer pays the insurance and is liable for any claims when the center is on-site and funded by the employer (Burud, Note 2). If the employer pays tuition for children of employees to attend an off-site community center, the center carries the insurance and the employer is named as an additional insured and pays about 5 percent of the premium. The employer may be liable in the case of a claim and may have to share in providing the settlement.

In Texas, child care facilities are classified as Day Nurseries and come under the Owners, Landlords, and Tenants Liability insurance (Purnell, Note 1). According to this source, it may be possible to reduce the risks involved in center care, and thus lower the rates, by involving a competent insurance consultant in the planning

stages of the facility. According to Purnell (Note 1), most insurance agents felt that the Minimum Standards for Day Care set by the Texas Department of Health Resources were not strict enough on their own to warrant lower rates.

The Texas Industrial Commission publication also suggests that an employer can set up a center as a non-profit corporation and lease a space for child care to that corporation. This arrangement can reduce risk and liability for the employer. This information seems to conflict with the information from Burud (Note 2) cited earlier and points up the need to obtain professional advice on insurance with regard to individual programs.

Taxes on E-SCC. Tax incentives that can help to make E-SCC advantageous to employers currently (in 1981) exist at the federal level. These incentives are outlined in the following paragraphs. In order to apply the information to a specific plan for E-SCC, a tax attorney or accountant should be consulted in the planning stage.

One incentive is contained in Section 188 of the 1971 Federal Revenue Act (Ingley, 1980). This amendment provides for rapid amortization of child care facilities. Rapid amortization allows a depreciation deduction to be

taken over 60 months rather than the useful life of a building which can be 20 to 30 years.

Tax attorneys, Soloman and Pollack (1980) interpret the 1971 Revenue Act in the following way:

> a. Section 188(a)* permits an employer who so elects to amortize expenditures to "acquire, construct, reconstruct or rehabilitate Section 188 property over a 60 month period", beginning with the date upon which the property is placed in service. This deduction may be taken in lieu of any depreciation deduction otherwise allowable for such expenditure.
>
> b. Section 188(b) defines "Section 188 property" as tangible property which qualifies as a child care facility primarily for the children of employees of the taxpayer. The applicable Treasury regulations provide that the facility is primarily for the children of employees if, in any given month, at least 80% of the attending children are children of employees. . . .
>
> c. Section 188 applies only to expenditures made between December 31, 1971 and January 1, 1982. Section 188(c). Congress extended the termination date of section 188 from 1977 to 1982. Tax Reduction and Simplification Act of 1977, Pub. L. No. 95-30, Section 402. The factors considered by Congress in extending the provision were the continued need for child care facilities, the economic climate, and the work-force participation by mothers. S. Rep. No. 95-66, 95th Cong., 1st Sess. 95, 1977-1 C. B. 500. (p. 13)

Property is more specifically defined by Douglas (1976) as follows:

> This provision applies to a room or rooms and play equipment or materials particularly suited to the needs of children being cared for during the day. It does not apply to general purpose rooms used for

> other purposes; for example, as an employee recreation center during the evening. . . . Features used such as kitchen facilities connected to the child care area or children's special toilet facilities could be included within the provision of the law. (p. 6)

Another tax law passed in 1973 allows an employer to deduct child care expenses as part of the business expense of providing services to employees (Ingley, 1980). This section 162, Title 26 (1973) qualifies an expense as a business expense if the following criteria are met (Employer related child care, 1980):

> (1) business provides an employee a placement for their child and the parent approves (2) employee turnover is reduced (3) absenteeism is reduced (4) productivity is increased (5) training costs are reduced. (p. 8)

There are very few precedents in the use of this allowance (Ingley, 1980).

A third tax incentive allows child care assistance by an employer to be considered a charitable contribution. Businesses are allowed to claim up to 5 percent of their pretax profits as charitable contributions (Ingley, 1980). However, in Soloman and Pollack's (1980) interpretations there are strict limitations on what is acceptable as a charitable contribution. The interpretation is as follows:

> The Internal Revenue Service has held that payments made to charitable organizations which bear a direct relationship to the taxpayer's business (Re. Rul. 72-314 1973-2 C.B. 357) or which are made with the expectation of economic benefit (Rev. Rul. 74-51 1974-1 C.B. 45), and which are not "completely gratuitous", shall be deductible as business expenses and not as charitable contributions. It is unlikely that child care for employees will be deductible as a charitable expense. However, if the employee usage is low enough (perhaps less than 50%), the employer may have an argument that the child care is provided as a community service. (p. 13)

The Internal Revenue Service is currently studying the entire area of fringe benefits (Soloman and Pollack, 1980). Whether child care provided by employers will continue to be excluded from employee income has not been decided at this time.

At the state level, legislation has been introduced in three states to encourage the development of E-SCC (WRI, Note 4). The legislation of particular significance was a bill introduced by Senator Diane Watson, and passed by the California State Senate recently. This bill requires the provision of child care space in new or repaired buildings that accommodate 1,000 or more employees. Assemblywoman May Newberger, of the New York State Assembly, introduced a bill that would permit tax credit to any employer who provided licensed child care

for employees. Representative Juanita Adkins introduced a similar bill in the Michigan House of Representatives. The reference (WRI, Note 4) does not state that these bills have passed. California has had legislation for several years that allows a 60 month depreciation deduction on facilities with no expiration date such as that of the federal law (Governor's Advisory Committee, Note 6).

To date, most employers have not considered tax incentives a primary reason to engage in E-SCC (Ingley, 1980). One reason appears to be that the tax laws are not sufficiently clear.

Advantages of E-SCC

That Employer-Sponsored Child Care can be advantageous to all the groups involved with a program has been documented in research, employer records, and interviews. Just as the specific child care programs vary so do the advantages.

Advantages for the employer. Advantages to the employer can include reduced job turnover and absentee rates, increased production, improved success with recruitment, improved labor relations, and enhanced community

contribution or involvement (Purnell, Note 1; Friedman, 1980). Each advantage is discussed below.

There is a direct relationship between profit and productivity (Purnell, Note 1), and factors affecting labor productivity exert a strong influence on profit margins. The three most significant factors affecting employee productivity are turnover rates, absenteeism, and working conditions. In the case of absenteeism, an employer does without the employee's services and output during absences. This can amount to significant time and money loss in some cases. Turnover rates have an even more serious impact on production. The loss of a trained employee and the subsequent vacancy is coupled with the cost of training a replacement.

Several employers have documented a reduction in absenteeism and turnover rates associated with E-SCC (WRI, Note 4; Canon, 1978; Perry, 1980; Gallese, 1980; Douglas, 1976). However, Control Data is the only employer known to have authorized a formal study in this area. Milkovich and Gomez (1976) gathered data at the Northside Child Development Center for Control Data, Corporation. Using data obtained from personnel files, they compared absences

and turnover rates of employees (1) with children in Northside, (2) with children not in Northside, (3) with no children or children too old or too young for Northside. There were 30 employees in each group. The first two groups were mothers of preschool children. The average number of children under seven years of age per mother was 2.2 for the first group and 2.3 for the second group. The first group had 18 months of job tenure, the second had 17 months, and the third had 19 months. All of the subjects performed similar work and lived in the same general area.

Turnover and absentee rates were significantly lower among the employees with children attending Northside. The Northside participants had average monthly turnover rates of 1.77 and absentee rates of 4.40, nonparticipants in Northside had average monthly turnover rates of 6.30 and absentee rates of 6.02, other employees had rates of 5.50 and 5.00 respectively. Absentee rate was based on the number of hours absent per month compared to the number of hours scheduled per month. Turnover was measured as the number of employees resigning each month compared to the average number of employees.

Although other employers have not conducted formal studies, some have compared absence and turnover rate before E-SCC to those rates after E-SCC programs were started. The companies of Mr. Apparel, Vanderbilt Shirt, and PCA, International tracked employee turnover rates and found them to be reduced after E-SCC was provided (WRI, Note 4). Neuville-Mobile-Sox, a hosiery manufacturer, also found that child care reduced turnover rates. The latter manufacturer estimated that it cost $1,000 to train a new employee (Job and family, 1980).

The records of Intermedics on the first six months of its center's operation indicated that turnover was reduced 9 percent (Burud, Note 2). A reduction of one percent gained 3700 work hours for Intermedics (based on an employee population of 1,000). Rochester Clothes, Inc. reported that its absence rate of 10 to 15 percent dropped to 3 percent after an employer child care center was opened. There is no information concerning the time span in which this decrease occurred (Burud, Note 2). Perry (cited in WRI, Note 4) found that 70 percent of the hospitals surveyed reported reduced absenteeism and 59 percent reported lower job turnover rates.

Companies state that providing child care helps to increase productivity (Gallese, 1980). However, most of the data indicates that employers have kept records on turnover and absenteeism as relates to E-SCC rather than records on productivity. As noted in Purnell (Note 1), productivity is tied to turnover and absentee rates, and if these rates are reduced, it can be assumed that productivity can be increased. Based on this assumption and the information on absence and turnover rates, it appears that E-SCC can have a positive effect on productivity.

Another advantage is improved recruitment. Despite the fact that there is overall unemployment, employers in some fields are experiencing recruitment problems (Friedman, 1980). For example, the Santa Clara Valley area has a heavy concentration of electronics and computer industry, and reports there are 4500 jobs currently vacant (Employer related child care, 1980).

A publication of Stride Rite Corporation stated that child care is important in attracting and keeping desirable employees (Canon, 1978). Gallese (1980) reported that several employees in the high-technology field, such as Wang Laboratories, Inc., found that day

care helped to recruit and keep working mothers and fathers. Children's Place, an on-site center for state employees in Albany, New York reported that recruitment was aided by the presence of the center (WRI, Note 4).

Several hospitals have found that providing child care for the evening and night shifts aids in recruitment for those hours which are generally problem hours (Perry, cited in WRI, Note 4). Perry found that 70 percent of the hospitals responding to her 1978 survey indicated that recruiting was improved after centers were provided for shift care.

Improved labor relations can be aother advantage of E-SCC. Improvement in labor relations is often interrelated with turnover rates and recruitment (Job and family, 1980). The executive vice-president of Neuville-Mobile-Sox, Inc. described this interrelationship in the following statement about his manufacturing company which has an E-SCC program:

> Here they're not as likely to leave for a nickel more an hour or to get angry over small things. . . . It adds an extra dimension to working. I think everybody is a little happier. (p. 58)

An executive of Zale Corporation indicated there are also intangible advantages to E-SCC. Providing child care seemed to indicate the company cared about employees and their families (Job and family, 1980). A policy statement from Abt Associates, Incorporated stated that its center helped to facilitate good employee morale and better relationships among staff (Douglas, 1976). From information such as this, Friedman (1980b) concluded that E-SCC is coming to be regarded as a fringe benefit with positive impact on labor-management relations.

A fifth advantage is enhanced involvement with the community. A part of the community is involved in E-SCC when parents and children are served, but the larger community can also be involved in E-SCC (1) when community members are included on child care boards; (2) when both community and employee children are served as they are in the centers sponsored by Stride Rite, Control Data, Zales, and Forney; (3) when centers are in highly visible locations in the community as are Control Data's Northside Center (WRI, Note 4) and the St. Louis Downtown Day Care Center (Corrigan, 1979).

The president of Stride Rite Corporation stated another important community contribution quality E-SCC can make. He is quoted by Canon (1980) as follows:

> All of today's delinquents were three-four-and five-year old children a short time ago. Efforts to train hard-core unemployables have been largely futile. Our tax dollars provide merely custodial care. The cost of teaching a child to sing, to read, and to trust peers and adults in an environment like the Stride Rite Children's Center is small in comparison. (p. 85)

All of the above benefits were supported in Perry's 1978 survey (1980). Responses came from approximately 60 employers and were as follows: 53 centers listed increased ability to attract employees, 49 showed lower absentee rate, 48 stated there were improved employee attitudes toward the employer, 40 found improved attitudes toward work, 34 had lower turnover rates, and 29 had experienced improved community relations.

In addition to the overall advantages discussed earlier, different models and different funding arrangements may provide specific advantages to employers. For example, the on-site center model offers the possibility of less tardiness because employees travel less distance to child care and then to work (Burud, Note 2). The off-site model for multiple employers offers the advantage

of sharing costs and responsibilities among several employers (WRI, Note 4). This arrangement may also provide more and varied expertise from the different employers. The family day home system model offers the advantage of smaller groups and more home-like settings (Burud, Note 2). A family day home system may cost less to start up than a center. I&R systems have the advantage of lower operating and start-up costs and no liability risks to the employers (Friedman, 1980b). Under utilization may be reduced in all of the models by serving nonemployee children as well as employee children (WRI, Note 4).

All of the E-SCC models have the possiblity of another benefit to employers. If the employer is making a special effort to attract women and minorities, E-SCC, as one of the fringe benefits, can serve as a component of an affirmative action plan.

A very specialized benefit was identified by Photo Corporation of America, International (WRI, Note 4). This company saved approximately $7,000 per year when parents permitted their children to serve as photographic models.

Advantages for employees. The most obvious advantage provided to employees by E-SCC is seen in programs

that pay all or a portion of the fees. That advantage is monetary. An administrative assistant for Wang Laboratories Inc., a computer manufacturer in Lowell, Massachusetts, calculated that she saved $1,200 per year by using the center provided by her employer (Job and family, 1980). Reduced transportation time and cost is another benefit of E-SCC. The employee may have to go considerable distances out of the way to reach other satisfactory child care arrangements.

A frequently mentioned advantage of on-site centers for parents (and children) is the fact that their children are nearby (WRI, Note 4). Parents are able to integrate their parent and employee roles better and are close by in an emergency. Several centers, such as those at Zales, PCA, and the Children's Place, have arrangements for nursing mothers and many centers encourage parents to join their children at meals. The Perry survey (1980) found that parents visited their children an average of 11 times per week.

Involvement in center administration and policy-making is an advantage for parents in any child care arrangement. In E-SCC, it is even more advantageous

because it helps alleviate employee concerns that the company can become too powerful when it controls employment and child care (Governor's Advisory Committee, Note 6). Perry (1980) found parent involvement in 57 percent of 61 centers.

It is possible for E-SCC programs to provide very specialized advantages depending on the skills and training of child care staff. For example, the Stride Rite Corporation's Children's Center provides free guidance and counseling on child and family related problems (Douglas, 1976).

Advantages for children. When children and parents are near each other in on-site centers the advantage is reciprocal for the two groups. An additional advantage for children in this arrangement is their opportunity to have a better understanding of their parents' workplace. For example, children in the St. Louis Downtown Day Care Center go for walks, visit workers and buildings as a means of knowing where their parents work (Corrigan, 1979). Children of Zale employees trick-or-treat around the building at Halloween and hang pictures at Christmas (Jobs and family, 1980).

Another advantage for children is quality care in E-SCC. In the On-site Day Care Research Project (WRI, Note 4), all of the centers met regulations regarding staff-child ratios and many exceeded them. Also, there were a high number of professional staff in industry and government funded centers. The Abt Associates center has a ratio of one teacher to four infants up to a ratio of one to seven for preschoolers. The Stride Rite Center has a ratio of one teacher to five children (Douglas, 1976). Although low ratio of children to staff, and trained teachers do not assure quality, they are indicative of a concern for quality.

Advantages for child care professionals. The NAEYC symposium, Spotlight on Employer-Supported Child Care (Note 5) listed three possible advantages of E-SCC for child care professionals. These are new sources of funding for child care, new and innovative programs, and better staff salaries.

Children's Center (Stride Rite) provides its child care staff with the advantages of college training. Through an arrangement with the local college, a free

college course is provided to a center staff person for each student teacher placed in the center (Douglas, 1976).

Summary of the advantages of E-SCC. It is reasonable to expect that direct advantages are of primary concern to employers. However, the positive aspects of E-SCC are interrelated, and factors that are directly advantageous to one group can very well be indirectly advantageous to employers. Douglas (1976) concluded that "interest in employee morale and the status of employee and community children later leads to less absenteeism, turnover, etc." (p. 34).

## Problems and Concerns

Although many employers have experienced a variety of advantages from providing child care, and several employers have opened child care programs in recent years, the area of E-SCC is not without problems. A 1973 Women's Bureau publication identified 13 employer operated or supported centers (WRI, Note 4). Of these centers, only Stride Rite and Control Data centers remain in operation. Hospital centers decreased by 23 percent from 1968 to 1978.

The causes for closings appear to be several interrelated causes rather than a single cause. Some of the reasons listed in the Perry survey (1980) included: a recession, the employer went out of business, the center was underutilized, outside funding ended, the center was too expensive to operate.

In the Purnell (Note 1) survey, employers were asked what they considered the major drawbacks to E-SCC. Fifty-two percent of respondents placed cost of operation first. Other drawbacks included: regulations, insurance and liabilities, and lack of qualified help.

Taxes are also an area of concern (Ingley, 1980). Even though tax incentives exist, the regulations are unsettled. For example, the 1973 ruling that classified child care as an ordinary and necessary business expense is only one ruling and is not necessarily a final IRS position. Also, the 1971 provision for rapid amortization is due to expire December 31, 1981. If an employer does use the 1971 rapid amortization provision, the investment tax credit, which provides for credit against tax of up to 10 percent of the cost of tangible personal property, is not available (Solomon & Pollack, 1980). To date,

employers have not considered tax incentive a reason to enter into E-SCC.

Another concern has to do with fringe benefits. Many benefit plans still place emphasis on the traditional family economic structure of the husband supporting a wife and two or three children (Job and family, 1980). There is a possibility that child care may be perceived as a "special benefit" going to only a select group, and that other benefits are not equal (WRI, Note 4). Some employers have indicated concern that child care benefits may be illegal because they do not benefit all employees (Ingley, 1980).

Parents have concerns related to E-SCC that in turn can impact employers through low utilization. One concern is the location. Parents may prefer to have child care in a neighborhood setting away from the workplace (WRI, Note 4). Transportation is another concern and some parents prefer not to make a long commute with a child, especially if they must use public transit (Ingley, 1980).

A concern has been expressed that employers might use child care as a trade-off for better wages or better

working conditions (Canon, 1978). Parents and professionals also express concern that E-SCC might reflect an employer's business attitudes rather than quality and concern for children (Burud, Note 5).

Finally, the problems and concerns outlined need not be perceived as disincentives to E-SCC. They are all valid and important and should receive the same consideration as the advantages.

## Recommendations and Considerations for Developing E-SCC

This section is intended to cover information needed to successfully develop and maintain an E-SCC program. It includes recommended steps for an employer to use to plan and develop E-SCC (WRI, Note 4). The steps for E-SCC development include the following: (1) designate a specific person or persons to do the initial research, (2) collect data which includes a needs assessment, a review of information on other E-SCC, a survey of community child care, a survey of community resources, a review of child care regulations, an assessment of space available, a review of insurance and tax information,

(3) analyze all the data in order to select an E-SCC program suited to the situation.

The section also provides some general recommendations, and some possible answers to problems and concerns stated in the previous section. Suggestions for child care professionals who are interested in encouraging the development of E-SCC are included. A comparison of nine E-SCC centers that are currently in operation to nine E-SCC centers that were in operation and have since closed is included for consideration. A summary of the common components of successful E-SCC concludes the section.

Recommended steps to follow in the development of E-SCC. An employer considering some form of child care for employees should start by designating a person or persons to conduct the initial research (WRI, Note 4). The designate can be staff within the company, an advisory committee from all levels of the company or an outside consultant. It is important for an employer to have an organized, systematic approach to gathering information on proposed E-SCC in order to reduce the chance of future problems, or even failure.

The initial research should include data from all the areas that impact child care. It is vital that a needs assessment be conducted to determine employee interest in the project (WRI, Note 4). This assessment can be in the form of a questionnaire to all employees (male employees as well as female). Suggested questions include: ages of children in care and present arrangements, age and arrangements for school-age children, any unmet needs or dissatisfactions with current child care arrangements, desired hours of care, desired type of care, distance currently traveled for care, distance traveled to worksite, maximum affordable level of tuition, and reaction to a tentative site or model if there is one. If the employer does not have a tentative site, then an employee location preference question should be included (Douglas, 1976). The choice should be limited to arrangements the employer can afford. The survey should contain a question on family income. A survey of the employer's personnel characteristics, such as turnover and absentee rates, should be done at the same time.

Successful E-SCC currently in operation should be reviewed (WRI, Note 4). This review can provide the

employer with information on the different models that are available and on benefits and problems related to each. A review can be done through the use of printed information such as material cited in this report. Visits or direct contact with an employer sponsoring a particular kind of program are also helpful.

An assessment or survey of the community should be done to ascertain what child care is currently available (WRI, Note 4). The assessment should include information on ages served, hours, locations, and whether certain needs such as infant care or 24 hour care are being met. There should be information on the range of tuition rates. This kind of information will help an employer know whether the employees need E-SCC and whether community children will be available to fill extra spaces.

Another type of community assessment should be done to find out what other resources are available (WRI, Note 4). Possible community resources include: local child care groups or councils that are interested in supporting child care through means such as staff training or support groups; government agencies, foundations or

private donors that might provide some funding; other employers that might share in a child care project.

All state and federal licensing requirements, and all local ordinances should be reviewed. Douglas (1976) states that state licensing representatives can provide information on space, staff, kitchen and toilet facility regulations and how these apply to the employer's situation. They may also be able to provide information on funding, training, and personnel sources.

An assessment should be made of the space available for an on-site or off-site center (WRI, Note 4). Cost estimates on construction or renovation to meet licensing requirements are necessary in the planning stages.

Insurance specialists should be consulted for information on reducing risks in the program through design, location, construction, etc. (Purnell, Note 1). These specialists can also provide estimated cost of the insurance for various models or funding arrangements.

The tax incentives should be reviewed and the tax advantages of nonprofit and for profit centers, donations to existing programs, or other child care

arrangements should be compared (WRI, Note 4). Tax attorneys or accountants will be the best resources for this information.

When all of the results and information have been collected, it is then necessary to analyze it (WRI, Note 4). Information on the characteristics of the personnel should be analyzed very early. It is suggested that for E-SCC to be successful the employer should have a large population of young employees, and the employer should be experiencing competition for skilled employees (Shirley, 1980).

Analysis of the information gained from the parents can tell an employer whether there is a need for care and for what age groups. When considering data on employees, it should be kept in mind that information on the number of employees with children eligible for E-SCC is not the same as the number that may be interested in using E-SCC (Perry, 1980). Also, if parents are not knowledgeable about the advantages of E-SCC, they may continue to choose what is familiar and currently available (WRI, Note 4). Employers can cope with this lack of awareness on the part of parents by including parents on

the original assessment team and by having a publicity campaign related to E-SCC.

Information on existing community programs also should be analyzed (WRI, Note 4). From this information, the employer can get an idea of what is already available, what the competition is, and whether community children will be likely to use the center if the option is offered.

The information on construction or renovation cost and licensing requirements for equipment can be used to provide estimated start-up costs, and licensing information on regulations regarding staff-child ratios, group size, and program, plus insurance premium estimates can provide projected operating costs. Possible tax advantages and any outside funding should be included in considerations related to cost.

These costs are then balanced against the employer's experience with recruitment, loss of productivity due to turnover and absentee rates, and the cost of training new personnel (WRI, Note 4). Intangible advantages such as the employer's image of caring about employees and their

families (Job and family, 1980) and social responsibility (Canon, 1978) should also be taken into account.

After all the information on need and cost is accumulated and analyzed, and the employer has researched the various models available, it is possible to decide which model and funding arrangement is most likely to be advantageous (WRI, Note 4). If the employer opts for an off-site model with multiple employers in a consortium, careful consideration should be given to the commitment of all of the participants. The fiscal contribution of each employer in the consortium, their role in technical assistance, a plan for utilization, and the procedures for an employer's withdrawal should be clarified ahead of time.

General recommendations and considerations.

Douglas (1976) stresses the importance of making certain that every decision is made with the goal of assuring quality in mind. The report from the Governor's Advisory Committee (Note 6) cites quality as a key issue and recommends that the state can make information available to employers that describes quality child care, the costs

involved, and can provide technical assistance to help assure quality.

Parent involvement is also vital to a successful E-SCC (Governor's Advisory Committee, Note 6). This involvement should come in both the design and operation stages. It can help to assure employee utilization of the program and reduce employee anxiety about employer control over both child care and work.

The Governor's Advisory Committee report (Note 6) also stresses that child care staff should be paid as professionals. They should have salaries appropriate to their education and training, and fringe benefits comparable to the ones available to employees whose children are in their care. Adequate salaries and benefits will help to ensure a stable, competent staff, and this, in turn, helps to maintain quality.

The employer needs to build in an evaluation system for the E-SCC (Douglas, 1976). This evaluation system is to be used to measure impact of the program on the employee, the child, and the employer in order to make future plans and revisions. Milkovich and Gomez's research

(1976) is proof that some parts of the impact of E-SCC are measurable.

One of the concerns noted had to do with E-SCC providing extra benefits to only a select group of employees (parents of young children). A possible solution to this concern is a flexible benefit plan or "cafeteria" benefit plan as it is popularly known (Friedman, 1980b). At present, only a few companies have this plan, but it is being discussed more and more as a way to contain the rising costs of benefits and meet the increasing demands for more benefits (Tavernier, 1980). American Can Company initiated such a program recently. In their plan, there is a core of benefits that the company considers fundamental to all employees. These fundamental benefits include group term life insurance, medical coverage, disability income, vacations, and pensions. Beyond this core, the employee is free to select individualized benefits based on his or her situation in life. Employees select alternate benefits based on credits allocated to them (Tavernier, 1980). Although American Can does not offer child care as an alternate benefit, it would be

possible for an employer to include child care in a flexible benefit program (Friedman, 1980b).

Another concern expressed was that child care benefits might be illegal with relation to Equal Employment Opportunity regulations, that a special benefit for parents might discriminate against nonparents or parents of children not of the age for care. Douglas (1976) cites excerpts from a review of EEO regulations for the Treasury Department. Portions that relate to fair employment are as follows:

> agencies were mandated--to the maximum extent possible--to participate at the community level . . . in improving employment opportunities and community conditions that affect employability.
>
> . . . The Civil Service Commission specifically directed in Item No. 6, the attention of all Executive agencies toward effectively meeting their child care personnel support concerns, by urging and reemphasizing their responsibility for:
>
> . . . Cooperation with community groups in the establishment and support of child day care centers needed by employees or applicants. (pp. 25-26)

This would seem to remove any concern about E-SCC in relation to EEO regulations.

Sources for Ingley (1980), Douglas (1976), and the Governor's Advisory Committee (Note 6) all recommend that tax benefits need to be made stronger and more orderly,

and that the 1971 allowance for rapid amortization should be extended past the end of 1981. The Governor's Advisory Committee (Note 6) recommended that employers be invited to give assessment of the current tax incentives to state and federal planners.

Suggestions for child care professionals. Child care professionals or parent groups may be the ones to initiate the idea of E-SCC. Friedman (1980b) offers several sequenced suggestions to such groups: (1) become familiar with the businesses in the area, know whom they employ and the skill level of employees, (2) have some background on the businesses such as personnel problems, turnover rates, expansion plans (this can be gained from annual reports), (3) approach a top level executive because that is where the decisions are made, (4) be prepared to explore all of the model options with the employer, (5) be able to discuss the arguments for E-SCC in economic terms, (6) be willing to recruit other child care advocates in order to have all the available expertise in the field.

Comparison of centers. Perry (cited in WRI, Note 4) provides a comparison of nine E-SCC centers currently

in operation to nine E-SCC centers that opened in the past several years then subsequently closed. This comparison provides some useful considerations for employers. The findings indicated that the currently operating centers were stronger in the following areas: (1) more had completed needs assessments prior to opening, (2) there was more parent involvement, (3) there was more classroom and playground space, (4) there were more teachers with degrees, (5) there were outside funding sources in addition to the employer funds.

Common components of successful E-SCC. Finally, although no specific variables related to successful programs have been identified through research (WRI, Note 4), there are some common components in successful existing programs. These include: a needs assessment prior to opening, a commitment by the employer to the program, a relatively large female labor force, a quality child care program, an enrollment large enough to assure cost-efficiency in operation (current centers indicate this number is about 100 children), a tuition rate of $30 to $60 per week, operating hours that match employees' work

schedules, and an on-going evaluation of the program, employee satisfaction, and cost.

## Summary and Conclusion

The intention of this report was to provide information on Employer-Sponsored Child Care (E-SCC) for interested employers or child care professionals. Printed materials on the subject were reviewed to obtain information concerning the variety of E-SCC model options available and other information related to E-SCC. An effort was made to use recent materials in order to provide information most applicable to current situations.

From the information reviewed, it can be concluded (1) there is a need for child care, (2) this need can be expected to increase, (3) employers can play a vital role in meeting this need. A review of information on E-SCC indicated there are numerous models and variations within the models for an employer to choose from to meet employees' child care needs. The model categories in this report include: (1) On-site center for a single employer, (2) Off-site center for a single employer, (3) Off-site center

for multiple employers, (4) Family day home system, (5) Information and referral system.

Both research (Milkovich and Gomez, 1976) and personnel records maintained by employers provide evidence that there are advantages in E-SCC for employers in the form of reduced absences, lower turnover rates, and improved recruitment. The Milkovich and Gomez study also indicated that the impact of E-SCC on specific employee behaviors can be quantified. In addition to offering advantages to employers, it appears that E-SCC is advantageous to employees and their children.

From a review of information on successful E-SCC now in operation, it can be concluded that there are certain characteristics common to the success of the programs. These characteristics include a needs assessment prior to opening, a large population of women employees, a commitment to the program by the employer, and parent involvement. Finally, all sources examined urged that employers have an overall goal of quality child care for any E-SCC program initiated.

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